

MINUTES OF THE BOARD OF DIRECTORS
UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

In Open Session

Members of the University of Louisville Foundation, Inc. Board of Directors met on June 1, 2010, at 12:05 p.m., in the Jefferson Room, of Grawemeyer Hall on Belknap Campus, with members present and absent as follows:

Present: Mr. J. Chester Porter, Chair
Mr. Kevin Cogan
Mr. Burt Deutsch
Mr. Owsley Frazier
Dr. Salem George
Ms. Joyce Hagen
Ms. Margaret Handmaker
Mr. Harry Jones
Dr. James R. Ramsey
Mr. Sam Rechter
Mr. Eddy Roberts
Mr. Robert W. Rounsavall, III
Dr. William Selvidge
Mr. Frank Weisberg
Mr. William Wilcox

From Legal
Counsel: Mr. Tom Halbleib, Jr., Stites & Harbison

Guests: Mr. Bob Gunnell, Peritus Public Relations

From the
University: Dr. Shirley Willihnganz
Dr. Larry Cook
Dr. William Pierce
Mr. Mike Curtin
Mr. Joe Gahlinger
Mrs. Kathleen Smith
Mrs. Debbie Dougherty

I. Call to Order

Chair Porter called the meeting to order at 12:05 p.m.

- II. Consent Agenda
Chair Porter read the consent agenda items.

Approval of Minutes

- March 8, 2010

From the Finance Committee:

- Information Item: Quarterly Investment Performance Report
- Information Item: Interim Financial Statements through March 31, 2010
- Action Item: Approval of 2010-11 Operating Budget
- Action Item: Approval of Additional Investment in MALT
- Action Item: Approval of Termination of EARNEST Partners and hiring EatonVance

Hearing no objection, Mr. Rechter made a motion, which Mr. Jones seconded, to approve the consent agenda. The motion passed. Mr. Deutsch recognized the Foundation's endowment investment's ability to outperform similar endowment funds, noting its strong stewardship.

- III. Action Item: Approval of Policies

President Ramsey reported the following four policy recommendations relate to compliance policies applying to the Foundation through its agency agreement with the University. On advice of board counsel and support of the Audit Committee, the proposed policies further enhance the transparent operations of the Foundation. Vice President Curtin summarized each of the four policies. Mr. Deutsch made a motion, which Mr. Wilcox seconded to approve the

President's recommendation that the Board of Directors approve the following Non-Retaliation/Non-Retribution policy:

Non-Retaliation/Non-Retribution Policy

This Policy of the University of Louisville Foundation (the "Foundation"):
(1) encourages staff and volunteers to come forward with credible information on illegal practices or serious violations of adopted policies of the Foundation; (2) specifies that the Foundation will protect the person from retaliation; (3) identifies where such information can be reported; and (4) indicates how such reports will be handled.

The Foundation requires all directors, officers, staff and volunteers to observe the highest standards of business and personal ethics in the conduct of their duties and responsibilities. As representatives of the Foundation, such individuals must practice honesty and integrity in fulfilling responsibilities and complying with all applicable laws, regulations and policies.

Encouragement of reporting: The Foundation encourages complaints, reports or inquiries about illegal practices or serious violations of the Foundation's policies, including illegal or improper conduct by the Foundation itself, by its leadership, or by others on its behalf. Appropriate subjects to raise under this policy would include financial improprieties, accounting or audit matters, ethical violations, or other similar illegal or improper practices or policies. Other subjects on which the Foundation has existing complaint mechanisms should be addressed under those mechanisms, such as raising matters of alleged discrimination or harassment via the Foundation's human resources channels, unless those channels are themselves implicated in the wrongdoing. This policy is not intended to provide a means of appeal from outcomes in those other mechanisms.

Protection from retaliation: The Foundation prohibits retaliation by or on behalf of the Foundation against directors, officers, staff or volunteers for making good faith complaints, reports or inquiries under this policy or for participating in a review or investigation under this policy. This protection extends to those whose allegations are made in good faith but prove to be mistaken. The Foundation reserves the right to discipline persons who make bad faith, knowingly false, or vexatious complaints, reports or inquiries or who otherwise abuse this policy.

Where to report: Complaints, reports or inquiries should describe in detail the specific facts demonstrating the bases for the complaints, reports or inquiries, and should be directed as follows:

(1) *Staff and Volunteers.* In the case of staff and volunteers, such person's supervisor is normally in the best position to address an area of concern. If the staff member or volunteer is not comfortable speaking with his or her supervisor, or is not satisfied with the supervisor's response, such person is encouraged to speak with anyone in management that he or she is comfortable approaching. Supervisors are required to report such complaints that are considered illegal practices or serious violations to the Foundation's President or Chairman of the Board of Directors.

(2) *Directors and Officers.* In the case of directors and officers, complaints should be directed to the Foundation's Chairman of the Board of Directors or President; if both of those persons are implicated in the complaint, report or inquiry, it should be directed to the Chair of the Foundation's Audit Committee, board counsel, or similar individual.

How reports will be handled: The Foundation will conduct a prompt, discreet, and objective review or investigation. Complaints, reports or inquiries may be made under this policy on a confidential or anonymous

basis. Any such complaints, reports or inquiries will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation. Directors, officers, staff or volunteers must recognize that the Foundation may be unable to fully evaluate a vague or general complaint, report or inquiry that is made anonymously. Within a reasonable time period following receipt of a complaint, report or inquiry, the Foundation will acknowledge receipt and provide, through its Audit Committee, the sender with information as to whether an investigation will follow. Where appropriate, a final response will be issued to the sender, which may confirm that action was taken and/or the matter is closed. The extent of information disclosed in such a response will depend on the nature of the report and any legal and confidentiality issues.

The motion passed.

Mr. Rechter made a motion, which Mr. Jones seconded, to approve the

President's recommendation that the Board of Directors approve the following Joint Venture Policy.

Joint Venture Policy

This Joint Venture Policy of the University of Louisville Foundation (the "Foundation") requires that the Foundation evaluate its participation in joint venture arrangements under federal tax law and take steps to safeguard the Foundation's exempt status with respect to such arrangements. It applies to any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity as further defined in this policy. In compliance with the Internal Revenue Service guidelines for approval and management of any joint venture or similar arrangements entered into by the Foundation, the Board of Directors adopts the following guidelines.

A. Joint ventures or similar arrangements with taxable entities. For purposes of this policy, a joint venture or similar arrangement (or a "venture or arrangement") means any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity without regard to: (1) whether the Foundation controls the venture or arrangement; (2) the legal structure of the venture or arrangement; or (3) whether the venture or arrangement is taxed as a partnership or as an association or corporation for federal income tax purposes. Such a venture or arrangement may include both taxable and tax-exempt activities.

B. Safeguards to ensure exempt status protection. The Foundation will: (a) negotiate in its transactions and arrangements with other members of the venture or arrangement such terms and safeguards adequate to ensure that the Foundation's exempt status is protected; and (b) take steps to safeguard the Foundation's exempt status with respect to the venture or arrangement. Such terms shall be in writing in the operating agreement of the venture or arrangement and any other agreement, as applicable, and shall include the following minimum requirements:

(i) control over the venture or arrangement sufficient to ensure that it furthers the exempt purpose of the Foundation;

(ii) requirements that the venture or arrangement gives priority to exempt purposes over maximizing profits for the other participants;

(iii) that the venture or arrangement not engage in activities that would jeopardize the Foundation's exemption;

(iv) returns of capital, allocations, and distributions be made in proportion to respective ownership interests; and

(v) that all contracts entered into with the Foundation be on terms that are arm's length or more favorable to the Foundation.

When there is any question as to whether a particular venture or arrangement may pose a risk to the Foundation's tax-exempt status, a decision to enter into such venture or arrangement shall be made only after consultation with board counsel.

The motion passed.

Dr. George made a motion, which Mr. Deutsch seconded, to approve the

President's recommendation that the Board of Directors approve the following Conflict of Interest Policy:

This policy governs conflicts of interest and applies to situations involving the University of Louisville Foundation, Inc. (the "Foundation") to insure its transactions are conducted with integrity and free from any real or apparent conflict of interest. This policy outlines the guiding principles and procedures utilized by the Foundation to identify and manage conflicts of interest that present a significant risk to the actual or perceived objectivity of transactions conducted in the name of the Foundation.

The following principles shall guide the institution in addressing conflict of interest:

- **Because it is critical to the mission and reputation of the Foundation to maintain the public's trust, institutional activity must not be compromised or perceived as biased by financial and business consideration.**
- **Because of its numerous and complex relationships with public and private entities, the Foundation must be aware of any relationships involving financial gain that may compromise or appear to compromise its integrity.**

The following (1) defines conflict of interest; (2) identifies classes of individuals within the Foundation covered by this policy; (3) facilitates disclosure of information that may help identify conflicts of interest; and (4) specifies procedures to be followed in managing conflicts of interest.

Definition of conflict of interest: A conflict of interest arises when a person in a position of authority over the Foundation may personally benefit from a decision he or she could make in that capacity, including indirect benefits such as to family members or businesses with which the person is closely associated. This policy is focused upon material interest of, or benefit to, such persons. Conflict of interest does not mean the Foundation cannot acquire products or services from its directors or officers, or the organizations they represent. This policy is to insure the Foundation can maintain an oversight process to manage, reduce, or eliminate institutional conflicts of interest.

Individuals covered: Persons covered by this policy are the Foundation's officers and directors.

Facilitation of disclosure: All officers and directors shall disclose annually to the Chairman of the Board any known conflict of interest and, subject to the Chairman's determination below, shall avoid participating in any decision or advocating any subject matter before the Foundation in which such officer or director or any member of the officer's or director's immediate family has a conflict of interest.

In addition, before any meeting of the Board of Directors, an agenda will be circulated to each director with agenda items described in sufficient detail to allow members of the Board of Directors to identify possible conflicts of interest. Any member of the Board of Directors with a conflict of interest, not already declared, will submit his or her conflict in writing to the Chairman prior to the introduction of the agenda item in question. The written disclosure will explain: (a) that a conflict of interest may exist; (b) the nature and extent of the conflict; and (c) the nature and amount of the potential direct or indirect benefit to the member of the Board of Directors. Such disclosure shall be noted in the board's record relating to the agenda item in question.

Procedures to manage conflicts: For each interest disclosed to the Chairman of the Board of Directors, whether through annual disclosure or directly related to a meeting of the Board of Directors, the Chairman will determine whether to: (a) take no action; (b) assure full disclosure to the Board of Directors and other individuals covered by this policy; (c) ask the person to recuse from participation in related discussions or decisions within the Foundation; or (d) ask the person to resign from his or her position in the Foundation or, if the person refuses to resign, become subject to possible removal in accordance with the Foundation's procedures. Failure to disclose a conflict of interest may result in disciplinary action and/or removal.

The motion passed.

Mr. Deutsch made a motion, which Mr. Wilcox seconded, to approve the

President's recommendation that the Board of Directors approve the following Document Integrity Policy and Record Retention Schedule:

Document Integrity Policy

The University of Louisville Foundation ("Foundation") is responsible for the maintenance of documentation supporting the proper use of its resources and the private support that furthers the realization of its mission. The Foundation commits to conducting its affairs in full compliance with the law and with its own policies and procedures, including record retention requirements (see attached) established by federal, state, local, and other oversight agencies. To ensure the integrity of all Foundation documents, on an annual basis, every officer and director will affirmatively agree, in writing, to comply with this policy.

Policy

It is against Foundation policy and may be illegal to alter, cover up, falsify or destroy any document (or persuade someone else to do so) to prevent its use in an official proceeding. "Documents" in this case include written, electronic (e.g. email) and verbal (e.g. voice mail).

At the same time, it is understood that the Foundation needs to maintain appropriate records of its operations, e.g. financial records, significant contracts, employment files and fundraising obligations, as well as dispose of unnecessary, outdated, and unofficial/draft documents and files when warranted. The attached document retention schedule outlines the period of time for which the Foundation should retain specific documents.

The motion passed.

Record Retention Schedule

Record Years	# of
Organizational Records:	
Articles of incorporation and all amendments thereon	Permanent
Annual financial statements including Audit Reports	Permanent
By-laws and all amendments thereon	Permanent
Business licenses	Permanent
Correspondence	
• General	6 years
• Legal	Permanent
• Members or constituents	6 years
Federal, state and local exemption applications including related correspondence.	
• Income tax	Permanent
• Sales and use taxes	Permanent
• Personal property	Permanent
Minutes of the Board of Directors and any committee with similar responsibilities	Permanent
Mortgage loans and settlement sheets	Permanent
Patents, trademarks and other intangibles	Permanent
Training manuals	Permanent
Insurance records:	
Accident reports	6 years
Fire inspection reports	6 years
Insurance policies - property, liability, fidelity bond and similar line of coverage, Directors & Officers, etc.	6 years
Safety records	6 years
Settled insurance claims	3 years
Tax returns:	
Income tax and informational (federal, state and local)	
• Form 990-T & others	Permanent
• Form 5500	Permanent
Magnetic tape and similar records	1 year
Other Federal and state forms (Examples, 1099s, 1096, 942, etc.)	6 years
Payroll taxes	
• W2 & W3	Permanent
• Form 941	6 years
• State withholding forms	6 years
• State unemployment returns	6 years
Personal property	6 years
Sales and use	6 years
Testing and compliance documentation for employee benefit plans	6 years

Record Retention Schedule

Record	# of Years
Personnel:	
Benefit plan documents and related modifications	Permanent
Employment contracts or similar documentation, pay history and related information and payroll election form for benefits including:	
Pension*	*6 years
Health coverage*	after
Other benefits*	termination
	of employment
Federal forms (w-4, I-9, etc.)	6 years
Garnishment agreements and related correspondence	6 years after
	completion
Summary Annual Reports	Permanent
Accounting records:	
Annual budgets and approved revisions thereon	3 years
Bank reconciliation	3 years
Bank statements and related cancelled checks, bank credits and debits	6 years
Books of original entries, such as	
Cash receipts/Accounts Receivable	6 years
• Cash disbursements/Accounts payable	6 years
• Sales	6 years
• Purchases	6 years
Chart of accounts	6 years
Contracts, leases and similar agreements – relating to purchase or sale of assets	6 years
	(after
	disposition of asset)
Contracts, leases and similar agreements –	
Construction, collective bargaining, affiliation and others of a	
similar nature	Permanent
Daily time records	6 years
Depreciation records	6 years
General and subsidiary ledgers	6 years
Internal and interim financial statements	6 years
Internal work orders	6 years
Inventory counts and related cost records	6 years
Investment custodial and advisory statements	6 years
Vendor invoices and other supporting documentation	6 years
Electronic messaging:	
Electronic mail (Applies to official email that does not fit a category above)	3 months
Voice mail (Applies to materially substantive, official voice mail that does not fit a category above)	1 month

Additionally, Director and Officers will annually submit the following attestation:

To ensure the integrity of all essential Foundation documents, I agree that I will not alter, cover up, falsify or destroy any essential Foundation document (as outlined in the above attachment). In addition, before any of the materials outlined is destroyed, I will obtain written authority from the individual responsible for the area in which the document was created. I expressly agree that I will not destroy any document that in any way relates to a potential or actual official investigation.

Signature

Date

**RECOMMENDATION TO THE BOARD OF DIRECTORS
UNIVERSITY OF LOUISVILLE FOUNDATION, INC., CONCERNING THE
INVESTMENT IN AXIOM INTERNATIONAL EQUITY FUND**

**FINANCE COMMITTEE – MAY 20, 2010
BOARD OF DIRECTORS - JUNE 1, 2010**

RECOMMENDATION:

The Finance Committee recommends that the Board of Directors approve the hiring of Eaton Vance Management as core small cap manager. The investment will be funded by terminating the investment in EARNEST Partners (April 30, 2010 market value \$13.6 million) and transferring \$8 million of the proceeds to Eaton Vance. Remaining funds will be used to fund current year spending.

BOARD ACTION:

Passed _____ X _____
Did not pass _____
Other _____

Asst. Secretary *Katalin M. Smith*

RECOMMENDATION TO THE UNIVERSITY OF LOUISVILLE
FOUNDATION, INC.
REGARDING THE OPERATING BUDGET FOR 2010-11

Finance Committee – May 20, 2010
Board of Directors – June 1, 2010

RECOMMENDATION:

The President recommends that the Board of Directors approve the proposed operating budget for the fiscal year 2010-11 for the University of Louisville Foundation, Inc. as specified in the attached budget document and supporting schedules; and

That the President be authorized to make adjustments for discretionary programmatic expenditures from budgeted reserves up to the balance available in the reserve.

BOARD ACTION:

Passed X

Did not pass

Other

Asst. Secretary *Kathleen M. Smith*